

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 ICA-20 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
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FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC 7984
INFO AMEMBASSY DACCA
:AMEMBASSY KABUL 8071
AMEMBASSY NEW DELHI

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E.O. 11652: N/A
TAGS: EGEN, PK
SUBJ: NATIONAL ACCOUNTS IN ECONOMIC SURVEY OF PAKISTAN

1. THE NATIONAL ACCOUNTS FOR PFY1978 (JULY 1- JUNE 30) AS
PRESENTED IN THE RECENTLY RELEASED ECONOMIC SURVEY OF PAKISTAN
1977-78, SHOW PAKISTAN'S ECONOMY REVIVING FROM LAST YEAR'S
STAGNATION. GNP AT CURRENT PRICES ROSE 18.4 PERCENT TO
RS. 163,122 MILLION (DOLS 16,541 MILLION AT RS. 9.9-DOLS 1 COMPARED TO

A 13 PERCENT RISE LAST YEAR. IN CONSTANT (1959-60)
PRICES THE INCREASE WAS 9.2 PERCENT FOR PFY 1978 AND 2.8 PERCENT
FOR THE PREVIOUS YEAR. GDP WENT UP 15 PERCENT IN CURRENT PRICES
TO RS. 152,572 MILLION (DOLS 15,411 MILLION) THIS YEAR, LAST YEAR'S
RISE WAS 11 PERCENT. IN REAL TERMS GDP ROSE 6.5 PERCENT
COMPARED TO 1.4 PERCENT FOR PFY 1977. THE LARGE DIFFERENCE
BETWEEN GNP AND GDP WAS THE RESULT OF THE 77 PERCENT
INCREASE IN WORKERS' REMITTANCES WHICH ROSE TO DOLS 1.15
BILLION FROM THE DOLS 650 MILLION IN PFY 1977. PER CAPITA
INCOME, AT 1959-60 PRICES, INCREASED 6 PERCENT TO DOLS 60
(DOLS 219 AT CURRENT PRICES) COMPARED WITH A DECREASE OF
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.2 PERCENT IN PFY 1977.

2. IN TERMS OF VALUE ADDED AT CONSTANT PRICES, THE
MAIN SECTORAL CONTRIBUTIONS TO GNP ARE AGRICULTURE
(32 PERCENT), MANUFACTURING (13.4 PERCENT) AND WHOLE-
SALE AND RETAIL TRADING (13.1 PERCENT). THE REMAINDER
IS DISTRIBUTED AMONG PUBLIC ADMINISTRATION AND

DEFENSE (7.7 PERCENT) PERSONAL SERVICES (7.3 PERCENT), TRANSPORTATION, COMMUNICATIONS AND STORAGE (6.4 PERCENT), NET FACTOR INCOME FROM ABROAD (5.5 PERCENT), CONSTRUCTION (4.9 PERCENT), OWNERSHIP OF DWELLINGS (3.2 PERCENT), ELECTRICITY AND GAS DISTRIBUTION (2.7 PERCENT), BANKING AND INSURANCE (2.6 PERCENT) AND MINING AND QUARRYING (.4 PERCENT). ALMOST ALL SECTORS SHARE OF GNP SHRANK SLIGHTLY BECAUSE OF THE INCREASED SHARE OF NET FACTOR INCOME FROM ABROAD WHICH INCREASED FROM 3.1 PERCENT IN PFY 1977 TO 5.5 PERCENT IN PFY 1978.

3. DURING THE CURRENT YEAR AGRICULTURAL PRODUCTION ROSE 4.3 PERCENT IN REAL TERMS COMPARED TO 2.1 PERCENT LAST YEAR. THE INCREASE RESULTED PRIMARILY FROM A 30 PERCENT IMPROVEMENT IN THE COTTON CROP (3.2 MILLION BALES FROM 2.4 MILLION BALES LAST YEAR) WHICH IN TURN RESULTED MAINLY FROM THE ABSENCE OF THE FLOOD AND PEST DAMAGE OF LAST YEAR. GOOD WEATHER CONDITIONS IN THE EARLY PART OF THE CROP YEAR ALSO HAD A BENEFICIAL EFFECT ON RICE (PLUS 6.1 PERCENT) AND MAIZE (PLUS 8 PERCENT) PRODUCTION.

4. MANUFACTURING OUTPUT AT CONSTANT FACTOR COST GREW BY 4.7 PERCENT IN PFY 1978, AFTER A ONE PERCENT DECLINE LAST YEAR, THE MAIN POSITIVE FACTORS AFFECTING OUTPUT WERE DENATIONALIZATION OF AGRO- BASED INDUSTRIES AND A UNCLASSIFIED

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RETURN TO A MORE NORMAL BUSINESS CLIMATE WHICH RESULTED IN LESS TIME LOST BECAUSE OF STRIKES. LARGE INCREASES WERE RECORDED IN PRODUCTION OF SUGAR (PLUS 22.9 PERCENT), VEGETABLE GHEE (PLUS 15.9 PERCENT) AND CIGARETTES (PLUS 12.4 PERCENT). THE TEXTILE INDUSTRY, ACCOUNTING FOR THE MAJORITY OF PAKISTAN'S MANUFACTURING CAPABILITY, SHOWED A SLIGHT INCREASE IN YARN PRODUCTION (PLUS 1.7 PERCENT) BUT A FALL IN PRODUCTION OF COTTON CLOTH (-6.5 PERCENT). EVEN THOUGH THE TEXTILE INDUSTRY DID NOT IMPROVE ON ITS PERFORMANCE OF THE PAST YEARS, UNIT VALUE OF OUTPUT WAS SOMEWHAT HIGHER SOFTENING THE IMPACT OF THE LACKLUSTER PRODUCTION RECORD.

5. WHOLESALE AND RETAIL TRADING ALSO BENEFITED FROM THE INCREASE IN ECONOMIC ACTIVITY AND RECORDED A 6.4 PERCENT INCREASE THIS YEAR OVER LAST YEAR'S .5 PERCENT DECLINE. OTHER SECTORS IN THE ECONOMY ALSO PERFORMED BETTER THAN LAST YEAR. PERSONAL SERVICES INCREASED 15.4 PERCENT, TRANSPORTATION, COMMUNICATION AND STORAGE WENT UP 12 PERCENT, PUBLIC ADMINISTRATION AND DEFENSE, PARTLY AS A RESULT OF A SUBSTANTIAL CIVIL SERVICE PAY RAISE SHOWED A 9.3 PERCENT GAIN, CONSTRUCTION INCREASED 8.4 PERCENT,

BANKING AND INSURANCE 5.1 PERCENT, ELECTRICITY AND GAS
DISTRIBUTION 1.9 PERCENTN , MINING AND QUARRYING RECORDED
THE ONLY DECLINE, 1.8 PERCENT.

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6. SOURCES ARE GIVEN AS, GDP AT MARKET PRICES, RS. 163,784
MILLION (DOLS 17,000 MILLION) PLUS IMPORTS RS. 30,281 MILLION
(DOLS 3, 059 MILLION)FOR A TOTAL OF RS. 199,065 MILLION
(DOLS 20, 108 MILLION).

7. USES ARE GIVEN AS FIXED INVESTMENT RS. 28,836 MILLION
(PLUS 7.5 PERCENT), CHANGES IN STOCKS RS. 1000 MILLION
(NO CHANGE), PUBLIC CONSUMPTION RS. 16,806 MILLION (PLUS
7.8 PERCENT), PRIVATE CONSUMPTION RS.136,833 MILLION
(PLUS 20.3 PERCENT) AND EXPORT RS.15,590 MILLION (PLUS
11.4 PERCENT)

8. BY COMPARISON, THE ECONOMIC SURVEY FOR PFY1977
SHOWED THAT, AT MKARKET PRICES, FIXED INVESTMENT GREW AT
35 PERCENT, STOCKS REMAINED UNCHANGED,PUBLIC
CONSUMPTION WENT UP 9.6 PERCENTN, PRIVATE CONSUMPTION
12.1 PERCENT AND EXPORTS 1.7 PERCENT. THE LARGE INCREASE
IIN FIXED INVESTMENT IN PFY 1977 WAS CAUSED BY THE
START-UP COSTS OF MANY CAPITAL INTENSIVE PUBLIC
SECTOR PROJECTS, E.G. FERTILIZER PLANTS AND CEMENT
PLANTS, WHICH WERE MAINTAINED IN PFY 1978.
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COMMENT: THE GROWTH REFLECTS IN LARGE MEASURE A RETURN TO MORE NORMAL ECONOMIC CONDITIONS FOLLOWING THE FLOODS AND CIVIL UNREST OF LAST YEAR. AVERAGING PFY 1977 AND PFY 1978 TOGETHER, REAL GROWTH IN GNP, GDP AND PER CAPITA INCOME FOR THE TWO YEARS TOGETHER WAS 6 PERCENT, 3.4 PERCENT, AND 2.9 PERCENT RESPECTIVELY. SIMILAR AVERAGES FOR THE MAIN COMPONENTS OF GDP ARE AGRICULTURE (3.2 PERCENT), MANUFACTURING (2.8 PERCENT) AND WHOLESALE AND RETAIL TRADING (3 PERCENT),.

THE ECONOMIC SURVEY SHOWS WHEAT PRODUCTION EVEN WITH LAST YEAR'S 8.8 MILLION TONS. MORE RECENTLY, GOV OFFICIALS HAVE PUT THIS YEAR'S CROP AT 8.2 MILLION TONS. THE REVISION OF THIS FIGURE COULD HAVE THE EFFECT OF DECREASING GDP AND GNP BY SOME FRACTION OF ONE PERCENT.
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